

**DOCKET****06-OIR-1**

**Docket No. 06-OIR-1  
Greenhouse Gases Emission Performance Workshop  
California Energy Commission**

**DATE** FEB 06 2007**RECD.** FEB 06 2007

**Post-Workshop Additional Comments  
of Pacific Gas and Electric Company  
on CPUC Decision Implementing  
Greenhouse Gas Emissions Performance Standard  
February 6, 2007**

In response to the oral request of the Committee at the January 18, 2007, workshop in this proceeding, Pacific Gas and Electric Company (PG&E) provides the following additional post-workshop comments on the final decision of the California Public Utilities Commission (CPUC) implementing an interim greenhouse gas emissions performance standard (EPS).

PG&E's comments briefly address the following two elements in the CPUC decision: (1) Treatment of "unspecified contracts," "substitute energy," and "system energy" under the EPS; and (2) The CPUC's requirement that investor-owned utilities demonstrate compliance with the EPS on an "up front" basis, compared to "after-the-fact," "self-certification" of compliance by local publicly owned utilities subject to the CEC's EPS.

**1. The CPUC Decision's Treatment of "Unspecified Contracts" and  
"Substitute Energy" Is A Reasonable Compromise and Therefore Should Be  
Adopted by the CEC**

The CPUC decision adopts a form of PG&E's "15 percent substitute energy" proposal to be applied to both new renewable and non-renewable unit specific contracts under certain conditions where the amount of substitute energy forecasted to be delivered under the contract would not exceed 15 percent over a time period specified in the

contract. However, the CPUC decision also adopts a form of SMUD's and CMUA's proposal to allow substitute energy to be used to backup intermittent renewable resources. Based on its review and understanding of the details in the CPUC decision, PG&E believes that the CPUC decision's treatment of "substitute energy" is an appropriate and reasonable compromise on this important issue. Although the CPUC decision may not provide as much flexibility in contracting for renewable and non-renewable resources as PG&E and other parties might desire, it does appropriately balance the need for a consistent and strong interim EPS with the need to provide some flexibility in the use of substitute energy for important renewable and non-renewable contracts. For these reasons, PG&E recommends that the CEC adopt the CPUC's approach without change.

**2. The CPUC's Compliance Requirements for Investor-Owned Utilities Should Be Applied "Up Front" and Consistently to Local Publicly Owned Utilities Under the CEC Rule**

The CPUC decision requires an up-front formal filing for investor-owned utilities (IOUs) to demonstrate compliance with the EPS rule. At the CEC's January 18, workshop, PG&E and NRDC both recommended that the CEC rule require similar "up front" demonstration of compliance by local publicly-owned *utilities*. At the January 18, workshop, representatives of the local publicly-owned utilities agreed that they could provide the CEC "up front" with the same detailed documentation of compliance with the EPS that they previously proposed would only be available "after the fact." However, it was not clear that the local publicly-owned utilities also would agree to a requirement

that this detailed documentation of compliance be subject to formal “up front” review by the CEC and other interested parties.

PG&E understands that there may have been subsequent informal discussions between the local publicly-owned utilities and NRDC that would incorporate into the CEC rule a requirement for a form of up-front demonstration of compliance, somewhat comparable with the approach included in the CPUC decision for investor-owned utilities. Although PG&E has not yet seen any specific regulatory language, PG&E agrees that combining formal, up-front CEC compliance review with the detailed level of documentation offered by the local publicly-owned utilities, may achieve a reasonable level of “parity” on compliance between the CPUC and CEC rules. PG&E looks forward to reviewing final CEC regulatory language on this issue.

PG&E appreciates the opportunity to provide these brief additional comments and respectfully requests that the CEC consider these comments as part of its EPS rulemaking in this docket.<sup>1</sup>

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<sup>1</sup> PG&E appreciates that these comments are being filed after the February 2 deadline set by the CEC, but respectfully requests that the comments be considered nonetheless, because PG&E counsel had an unavoidable out-of-state personal commitment last week which precluded the ability to file these comments by the deadline.